

LUS Re-organization – IT & Customer Service
February 2020

Recently, local news outlets reported the LUS Interim Director said that the Guillory Administration plans are to move LUS technology operations under the management of LCG's IT Director (CIO).

Bad idea. Here's why.

- A. LUS technology includes an array of applications that require an understanding of the utilities business and the specific business processes that underly the software. Examples:
 - Customer Information System (CIS) – includes billing, usage history
 - Call Center – includes interactive voice response (IVR) and customer automation for bill pay, etc.
 - Advanced Metering Infrastructure (AMI) – includes remote meter reading and remote connect/disconnects
 - Supervisory Control and Data Acquisition (SCADA) – the nerve center of LUS field operations
 - Mapping – GPS capabilities for system mapping
 - Power Plant technology – runs generating units and associated machinery and equipment

- B. Most of these applications don't stand alone. They interact and interface. For instance, the AMI has to "talk to" the CIS and call center software to get meter reading information into billing and customer history. LUS IT staff understands the utilities business and specifically the various applications that are needed to run a utilities operation. You've got to know more than just coding to effectively implement, manage, support, and upgrade these applications. You've got to understand the business.

- C. History proves how important it is for LUS to control its own applications. Several examples:
 - 1) In the late 1990's, the buzz word in the utilities industry was "deregulation". The possibility of that happening made it imperative for LUS to change its CIS from the old mainframe billing system (and a post card bill that could not handle even one item more of billing information) to new systems that were PC based. LUS had to fight long and hard to a) convince the LCG IT department to change and b) actually get approval to change. Having won that battle, LUS does not want to and should not have to go back to begging for approval for software upgrades. It's a \$250 million a year business that generates nearly \$25 million for the LCG General Fund. That would be akin to the tail wagging the dog.

 - 2) In the mid-1990's, LCG's Department of Administration ran the Customer Service Division (it was called "Revenue Collection" back then). When Terry Huval became Director he was disturbed by the fact that the interface to LUS customers was handled outside of LUS (that is, by Revenue Collection). He won approval to have that Division report to LUS (and re-named it "Customer Service" to reflect a more customer-centered focus). That Division should NOT report to any entity except LUS, where customers' needs are understood and the most effective troubleshooting of billing and service issues can take place.

- D. The North American Electric Reliability Corporation (NERC) promotes the reliability and adequacy of power transmission throughout the country. In other words, they protect the “electric grid”. Part of that responsibility encompasses the security of IT systems. They want the grid safe from cyber attacks and hacking. LUS undergoes frequent, intense audits from NERC. Consequences of lapses are severe and penalties are equally strong. LUS IT should be in the hands of those who understand their role in the grid, who understand the utilities industry, and who understand the underlying effects their systems can have on local and regional grid security. There are SERIOUS consequences to IT lapses in the utilities space.
- E. Wouldn't it make more sense to allow the ongoing LUS Fiber investigation to be finished before making a decision like re-organization?
- F. Since LUS and LUS Fiber lack permanent directors, there is no real advocate for LUS who can argue yea or nay about a reorganization. Wouldn't it be wiser to hire permanent directors first and then let those folks assess whether a reorganization is wise or even necessary? At this stage, LUS staff has not even been asked for input in this potential change. Wouldn't the head person, the Director certainly want to weigh in on the value of his or her own IT staff and the reporting framework?
- G. With a fair and proper allocation of dollars based on level of effort, the LCG General Fund could come out a loser on this deal. Right now, LUS pays 100% of its IT budget for the engineers, programmers, and technical staff that run its IT functions. If the reasoning for moving IT is to gain some of their expertise and mere manpower for General Fund programs, the cost of those efforts will have to be borne by the General Fund. In other words, the General Fund can't get “free” LUS IT staff merely by moving them to the CIO's staff. They will have to pay for those services. Why? LUS is an “enterprise fund” that runs much like a for-profit business. Just like its bond covenants require it not to give away free services, similarly it can't give away its manpower without compensation. The same principle applies to the General Fund. LUS and LUS Fiber actually pay several million dollars in A&G costs to the General Fund for work they do on behalf of LUS (for instance, accounting, budgeting, risk management, and, yes, IT!). What's good for the goose is good for the gander!

In conclusion, I firmly oppose this re-organization idea. At the very least, please insist the Administration hire qualified permanent Directors of LUS and LUS Fiber FIRST, and then engage them in this discussion. From my thirty years' experience at LUS and specifically my involvement in complex software implementations and upgrades, my opinion is the LUS IT function is where it should be, under LUS management. Leave it there.